

医療の現場に、未来に、安全を

HOGY®

Financial Results Briefing for Second Quarter of FY2024

Wednesday, October 16, 2024

Hideki Kawakubo, President

Taisuke Fujita, Director and CFO

HOGY MEDICAL CO., LTD.



Notes regarding future predictions

This document contains statements about the Company's current plans, forecasts, and strategies, which are forward-looking statements about future performance. These statements are based on management's assumptions and beliefs in light of the information currently available. Therefore, readers are asked to refrain from relying solely on such statements. Actual results may differ from the statements due to various important factors.

Financial results included in this document have not been audited by an auditing firm.

Fundamentals (Unstable)



- Domestic economy is on a gradual recovering trend aided by wage increases
- Resource, energy, and raw material prices remained high
- Foreign exchange levels remained volatile

Customers (Centralization)



- Number of both outpatients and inpatients not returning to pre-COVID-19 levels
- Upward trend in the number of highly acute care beds
- Stricter criteria for the point-addition system for acute care enhancement
- Hospital business deterioration due to increased expenses and end of public outlays for COVID-19
- Task shifting as part of workstyle reform effort

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- Shift to a new management structure
- Began action programs of the Medium-Term Business Plan
- Carried out shareholder returns
- Developed organizational structure and hired specialists

● Net sales

¥19,619 million, YoY change of 100.4%

- While Premium Kit sales grew 123.2% YoY, overall sales of kit products grew only 102.3% YoY
- Strengthened sales activities for new products, such as REVICE (single-use medical device remanufacturing business) and OPERA-Note

● Operating income

¥2,083 million, YoY change of 87.7%

- Depreciation expenses for the new plant Stage 2 decreased
- Costs increased due to yen's depreciation
- Disposal and write-down of inventories following structural reforms **in 2Q*

● Profit attributable to owners of parent

¥1,867 million, YoY change of 107.8%

- Gain on sales of shares for cross-shareholding **in 2Q*

● Full-year plan (unchanged)

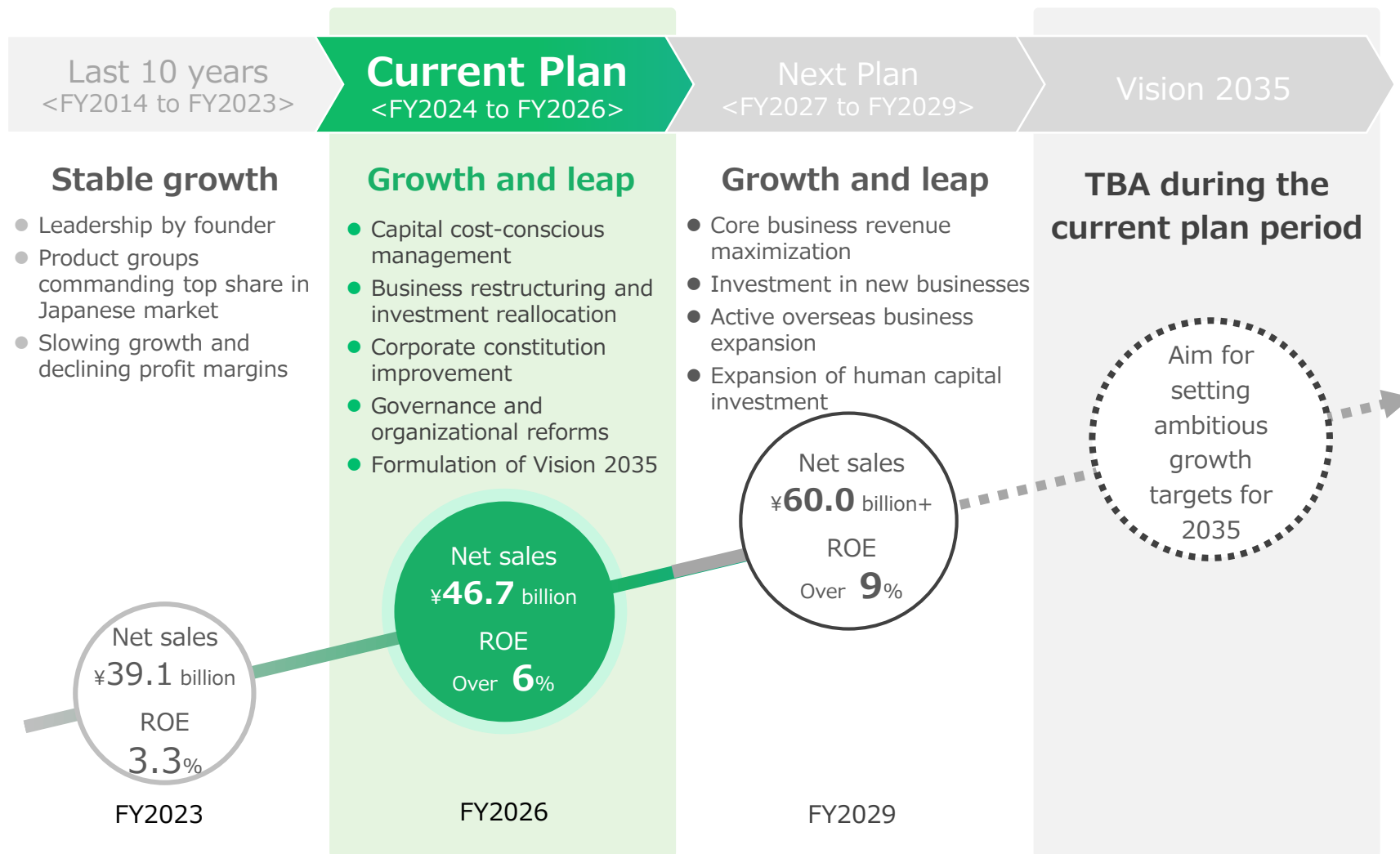
Net sales

¥40,850 million (YoY change of +¥1,749 million, 104.5%)

Profit attributable to owners of parent

¥3,310 million (YoY change of +¥505 million, 118.0%)

This Medium-Term Business Plan period is positioned as a period of implementing sweeping structural reforms to create a solid business platform that will serve as the foundation for the formulation and achievement of Vision 2035.



Financial position and return on capital

Improve capital profitability/efficiency with cost of capital in mind

Ensure stable and continuous shareholder returns

Strengthen investment discipline

Business strategies

Reform business/product portfolio

Reform sales organization and strengthen sales force

Strengthen competitiveness of core businesses/products

Promote overseas business

Create future core businesses/products

Governance structure

Transition to company with Audit & Supervisory Committee to strengthen supervisory function

Increase number of independent outside directors with diverse knowledge and experience

Separate management and execution functions for quick decision-making and flexible business execution

Design transparent executive compensation system

Matters to be implemented

- ✓ Purchase and retirement of treasury stock
- ✓ Sales of shares for cross-shareholding
- ✓ Establishment and activation of Investment Committee

- ✓ Sales channel expansion through collaboration with other companies
- ✓ Development of organizational structure
- ✓ Recruitment of specialists

- ✓ Revision of decision-making process
- ✓ Enhancement of discussion and information sharing
- ✓ Development and activation of an advisory body

Current initiatives

11 action programs toward achieving the Medium-Term Business Plan

1) Product strategy

2) Overseas strategy

3) Sales reform

4) Production reform

5) Procurement reform

6) Financial strategy

7) Human resource strategy

8) Digital transformation

9) Vision 2035

10) Internal control

11) Stakeholder engagement

System reform by next spring

Plant visit for investors planned in December as a follow-up to the Medium-Term Business Plan briefing

Summary of Financial Results



First Half of FY2024: Statements of Income

(¥ millions, rounded down)	FY2023 First Half Results		FY2024 First Half Results		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	% change
Net sales	19,536	100.0%	19,619	100.0%	82	100.4%
Cost of sales	12,597	64.5%	13,260	67.6%	662	105.3%
Gross profit	6,938	35.5%	6,358	32.4%	-579	91.6%
SG&A expenses	4,563	23.4%	4,275	21.8%	-287	93.7%
Operating income	2,375	12.2%	2,083	10.6%	-292	87.7%
Other income/expenses	-2		-47		-45	
Ordinary income	2,373	12.1%	2,036	10.4%	-337	85.8%
Extraordinary income/expenses	39		565		525	
Profit attributable to owners of parent	1,732	8.9%	1,867	9.5%	135	107.8%
EPS (¥)	71.40		80.58			

● Both sales and income increased

● Net sales: Up

Premium Kit sales rose but replacements led to decline for conventional kits

● Operating income: Down

Income undermined by an increase in cost of sales ratio due to yen's depreciation and disposal and write-down of long-term retained goods as part of structural reforms

● Profit attributable to owners of parent: Up

Cost of sales : 67.6% (+3.1ppt)

<Upside factors>

- : Yen's depreciation
- : Disposal and write-down of long-term retained goods

<Downside factor>

- : Decrease in depreciation expenses from commencement of operations at new plant Stage 2 in April 2023

SG&A

- : -¥287 million (-6.3%)
- : Decrease in personnel expenses

First Half of FY2024: Changes in Consolidated Cash Flows

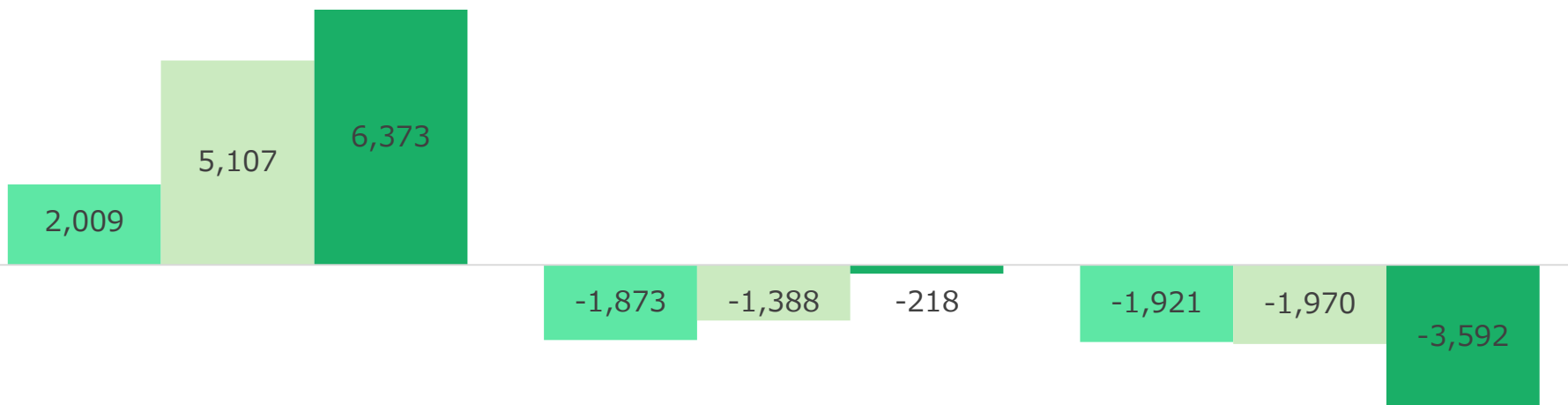
(¥ millions, rounded down)

■ FY2023 First Half ■ FY2023 Second Half ■ FY2024 First Half

Cash flows from operating activities

Cash flows from investing activities

Cash flows from financing activities



Six months ended:	Sep. 2023	Mar. 2024	Sep. 2024		Sep. 2023	Mar. 2024	Sep. 2024		Sep. 2023	Mar. 2024	Sep. 2024
Income before income taxes	2,413	1,662	2,601	Proceeds from sales of investment securities	—	—	1,114	Proceeds from long-term borrowings	—	—	10,000
Depreciation	3,295	3,312	2,831	Purchase of tangible fixed assets	(1,612)	(1,073)	(1,396)	Repayment of long-term borrowings	(999)	(999)	(999)
Gain on sales of investment securities	—	—	(1,097)					Purchase of treasury stock	—	(0)	(11,622)
Decrease (increase) in notes and accounts receivable	(1,096)	356	867					Cash dividends paid	(921)	(970)	(970)
Increase (decrease) in notes and accounts payable	(389)	348	(428)								

● Cash and cash equivalents as of September 30, 2024 increased by ¥3.2 billion from March 31, 2024 to ¥21.8 billion

First Half of FY2024: Highlights of Changes in Balance Sheets

(¥ billions, rounded down)	March 31, 2024	September 30, 2024	Change
Cash and bank deposits	19.4	22.6	3.2
Other current assets	23.6	22.6	-0.9
Current assets	43.0	45.3	2.3
Fixed assets	57.0	54.1	-2.8
Total assets	100.0	99.4	-0.5
Current liabilities	8.2	9.3	1.0
Long-term liabilities	5.6	14.3	8.7
Total liabilities	13.9	23.6	9.7
Total net assets	86.1	75.7	-10.3
Total liabilities and net assets	100.0	99.4	-0.5

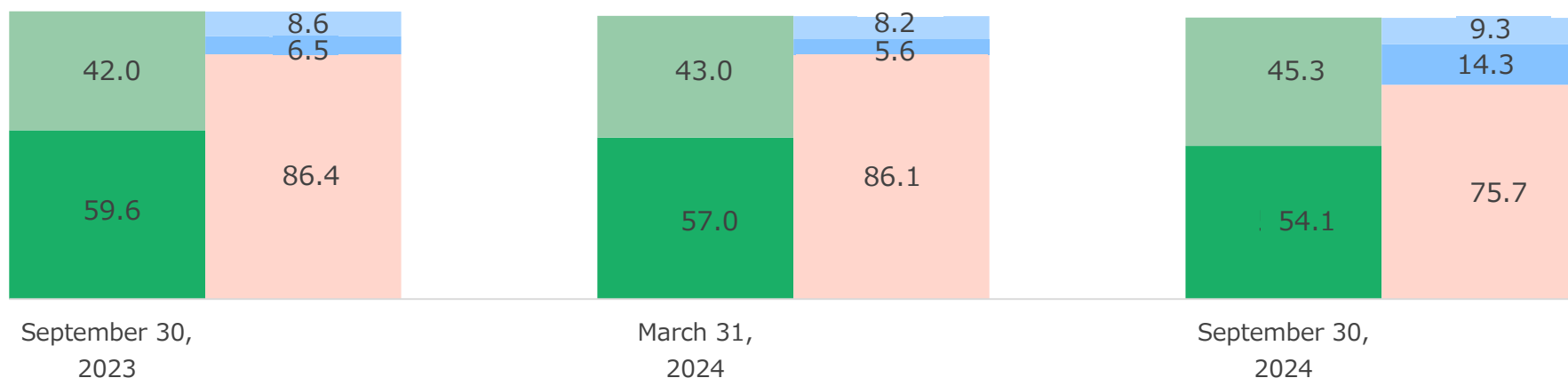
Equity ratio	86.1%	76.2%
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- Buildings and machinery: Decrease due to depreciation
- Construction in progress: Acquisition of a plant in Indonesia

- Increase in long-term borrowings

- Purchase and retirement of treasury stock
- Partial sales of shares for cross-shareholding

■ Fixed assets ■ Current assets ■ Net assets ■ Long-term liabilities ■ Current liabilities



First Half of FY2024: Changes in Sales of Main Products



● Premium Kit: Sales up 23.2% YoY (unit sales up 24.6%)

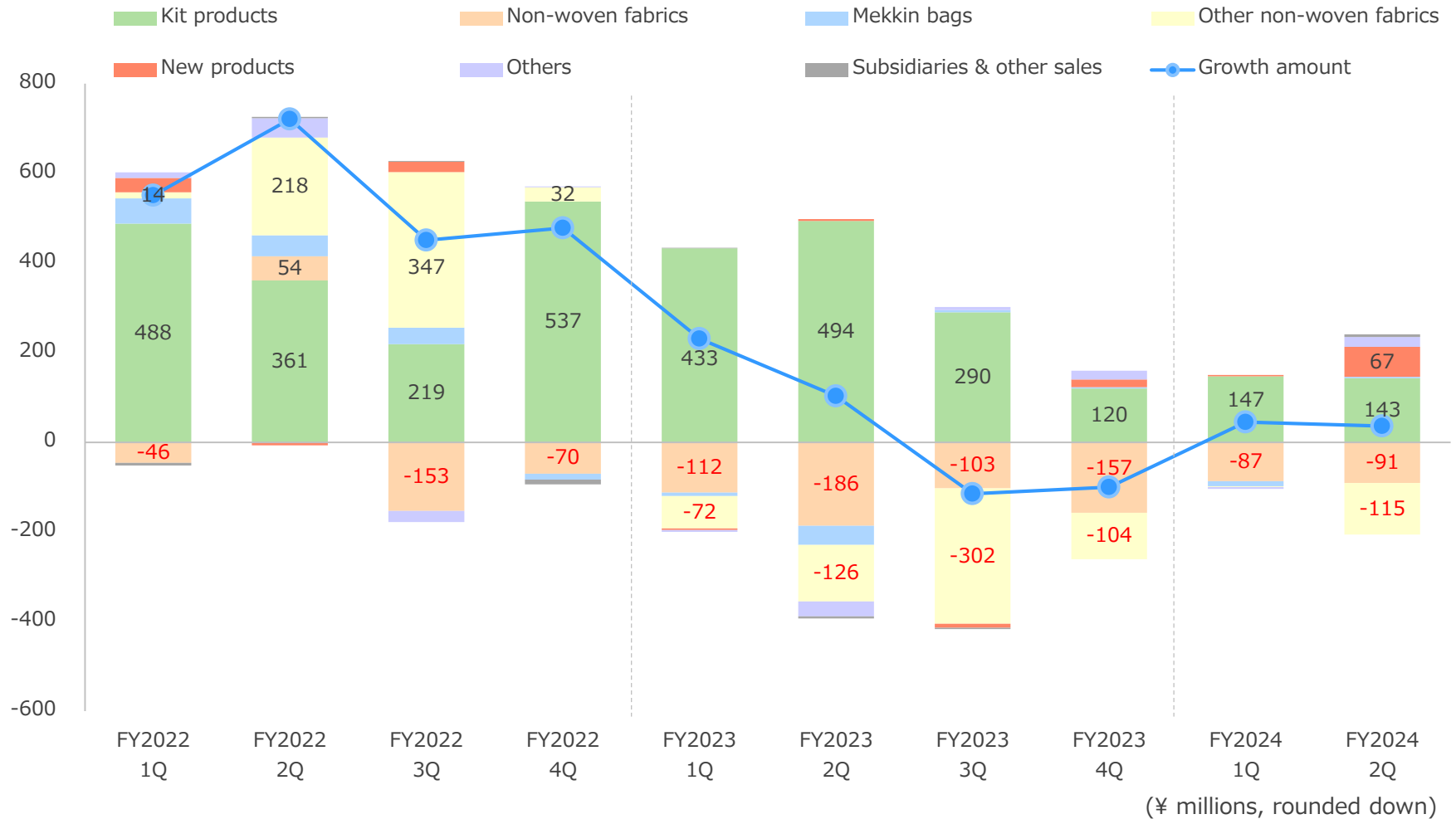
▶ Blister Kit: Unit sales down due to replacement with Premium Kit

▶ Tyvek Kit: Unit sales down as the positive impact of price revision in FY2022 ran its course and replacements to Premium Kit continued

● Continued decline in sales volume of non-woven fabrics from price revisions for gown products implemented in October 2022

● (Risk) Request for price revision in view of financial difficulties faced by hospitals

FY2024: Breakdown of Sales Increase/Decrease by Quarter

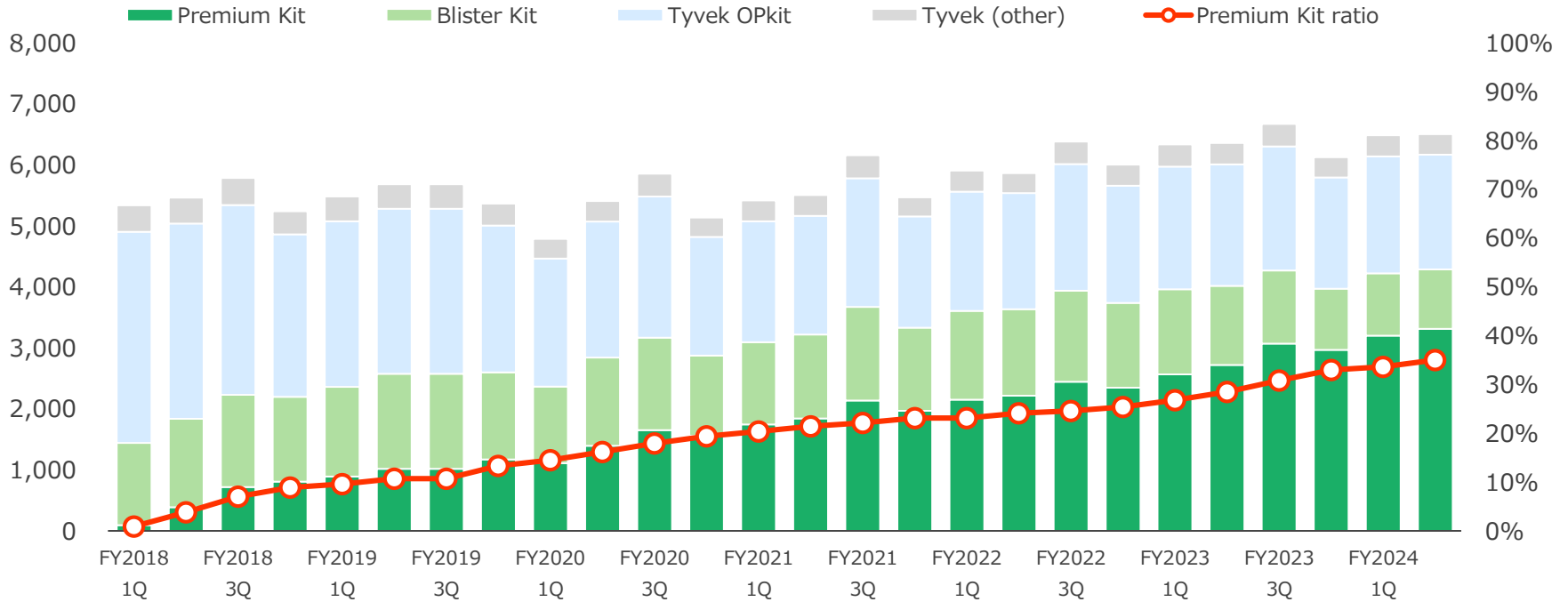


- Kit products: Although sales of Premium Kit rose, replacements resulted in lower sales of Blister Kit and Tyvek Kit
- Premium Kit: Although there are some signs of new contract signings, the results show variation due to differences by sales office. Reactionary decline in 2Q due to previous year's special demand for stockpiling of other non-woven fabrics

Sales of Surgical Kit Products by Quarter

● Both sales and sales ratio for Premium Kit at record high

(¥ millions, rounded down)



FY2024 (1H): YoY sales change (¥ millions)

Premium	Blister	Tyvek
+1,226	-699	-236
123.2%	74.0%	95.0%

Kit sales composition (Premium Kit/Kit products)

	FY2023 2Q	FY2023 3Q	FY2023 4Q	FY2024 1Q	FY2024 2Q	YoY change
Sales	42.7%	46.0%	48.4%	49.3%	50.9%	+8.1%
Unit sales	28.5%	30.8%	33.0%	33.6%	35.0%	+6.5%

Number of Surgeries at Opera Master-Contracted Hospitals

Sales (kits)

¥**8,535** million

YoY change: +¥350 million (104.3%)

Number of contracted hospitals (FY2024)

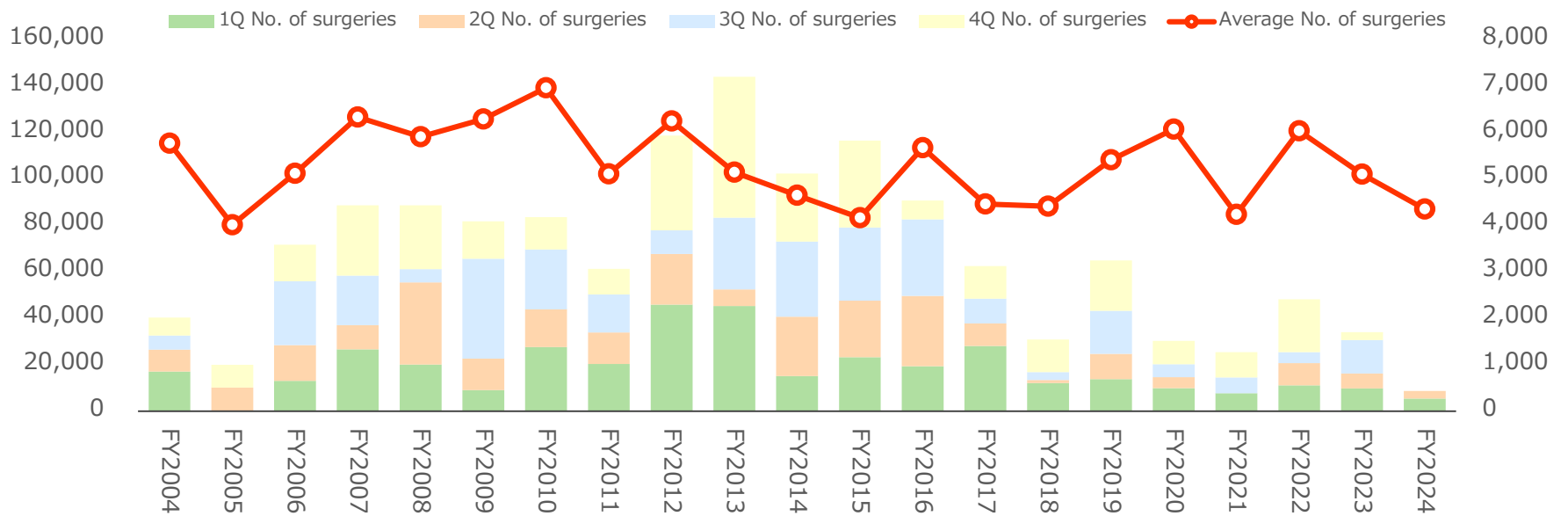
New contracts: **2**

Cumulative number of contracted hospitals

254

(Number of surgeries performed)

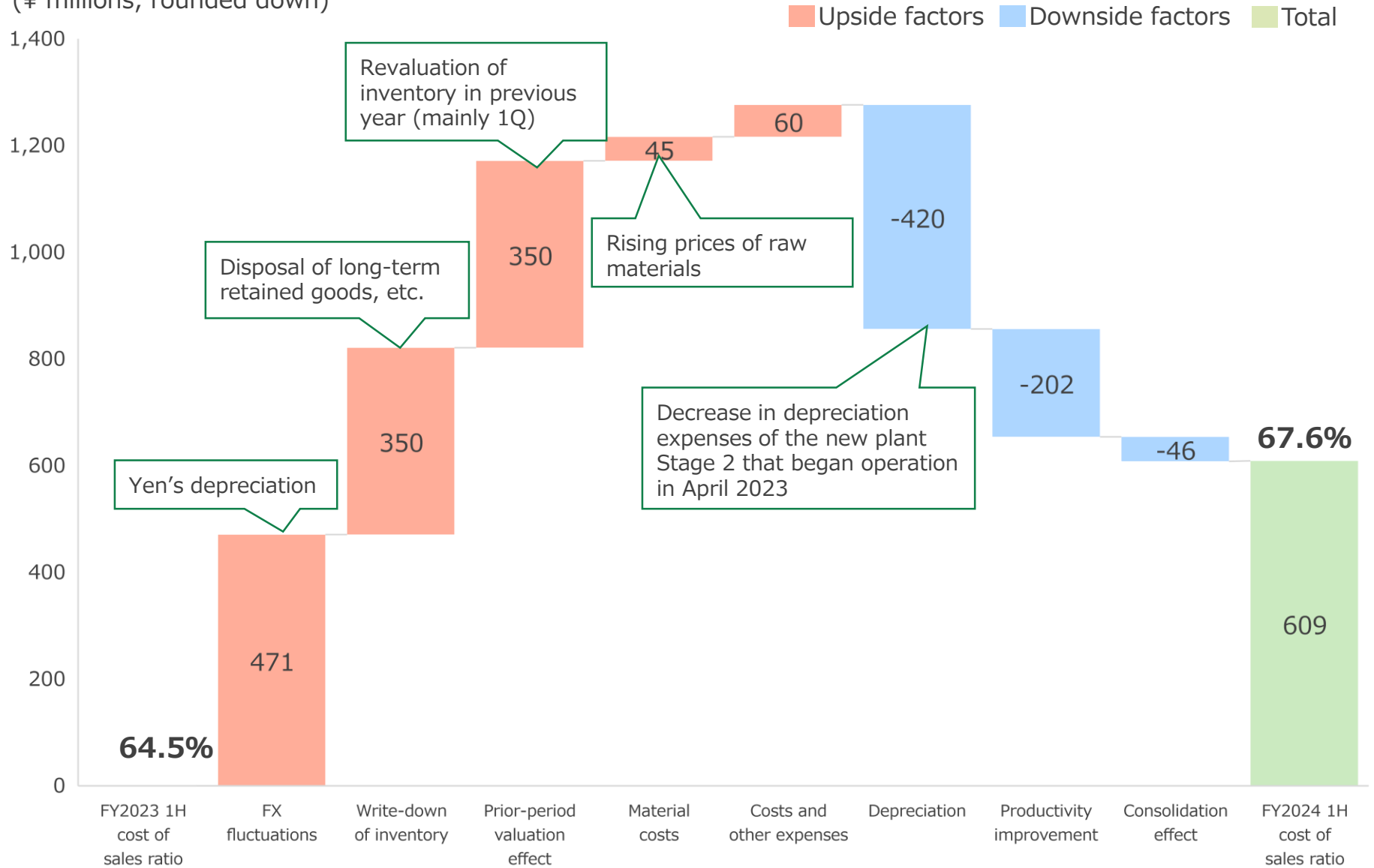
(Average annual surgeries)



- FY2024: 2 new contracted hospitals (DPC-specific hospital (former Group II): 1, DPC-standard hospital (former Group III): 1)
- Surgeries at the newly contracted hospital (FY2024): Approx. 4,400
- New Opera Master contracts: Focus on regional hub hospitals where patients are concentrated
- Supporting customers with new services that address their ever-changing challenges

First Half of FY2024: Main Reasons for Changes in Cost of Sales Ratio **HOGY**

(¥ millions, rounded down)



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EPS (¥)	71.40		80.58			

Main factors	Change
Personnel expenses	-233
Depreciation	-45

- SG&A: ¥4,275 million (-¥287 million)
 - ▶ Personnel expenses: Decrease in total amount of performance-linked bonuses paid
- **Total depreciation: ¥2,831 million (-¥464 million)**
 - Cost of sales: ¥2,591 million (-¥418 million) (including ¥1,326 million for new plant Stage 2 operation)
 - SG&A: ¥239 million (-¥45 million)
- Capex: ¥1,549 million
- First-half dividend: ¥40/share (¥20/quarter)
 - ▶ Total dividends: ¥970 million

Business Plan for FY2024 (ending March 31, 2025)



Statements of Income

- Securing net sales with our own strategy that leverages the strength of our customer contact points
- Cost of sales
 - Decrease in depreciation as predicted
 - Reduced risk of yen's depreciation by executing foreign exchange contracts amid continuing uncertainty
 - Ongoing, careful inventory analysis as part of structural reforms
- SG&A expenses to be allocated primarily to Medium-Term Business Plan implementation such as securing human resources and R&D expenses, other expenses to be kept under control

Balance Sheets/ Statements of Cash Flows

- Cash to be retained for investment in the next fiscal year and beyond
- P.T. HOGY Indonesia's capital investment and depreciation scheduled to begin
- Dividends (¥20/quarter) to be paid as scheduled

FY2024 Statements of Income (Forecast)

(¥ millions, rounded down)	FY2023		FY2024		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	% change
Net sales	39,100		40,850		1,749	+4.5%
Cost of sales	26,037	66.6%	26,780	65.6%	742	+2.9%
Gross profit	13,063	33.4%	14,070	34.4%	1,006	+7.7%
SG&A expenses	8,894	22.7%	9,380	23.0%	485	+5.5%
Operating income	4,169	10.7%	4,690	11.5%	520	+12.5%
Other income/expenses	76		110		33	
Ordinary income	4,245	10.9%	4,800	11.8%	554	+13.1%
Extraordinary income/expenses	-169		—		169	
Profit attributable to owners of parent	2,804	7.2%	3,310	8.1%	505	+18.0%
EPS (¥)	115.57		153.52			

● Increases in both sales and income

● Net sales:

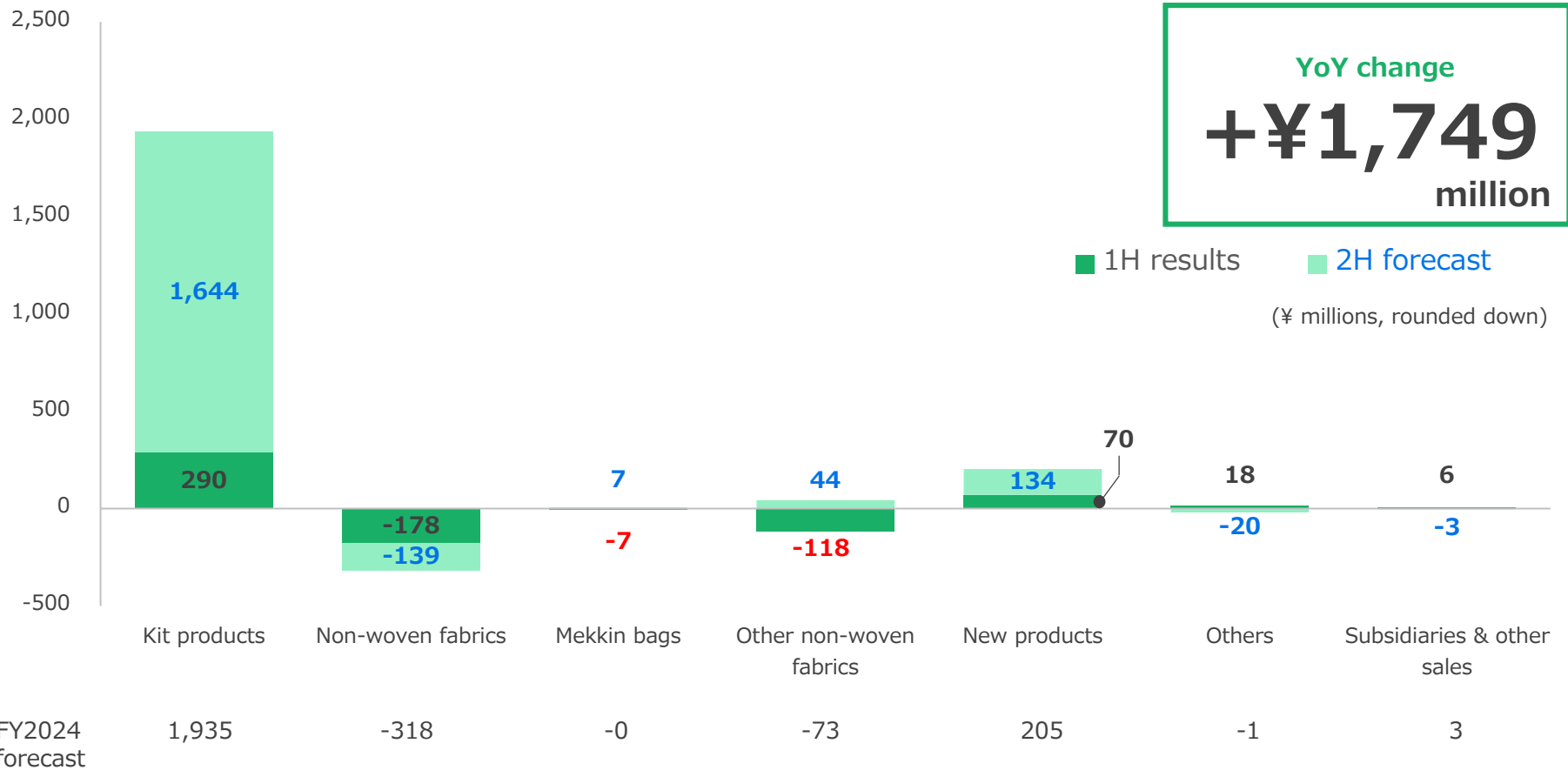
¥1,749 million (+4.5%)

- Increase in Premium Kit sales due to new contracts
- Expect sales of new products, such as REVICE (single-use medical device remanufacturing business)

Cost of sales : Decrease in depreciation associated with new plant Stage 2 operation
65.6%
-1.0ppt : Aim to reduce costs by improving productivity
 : **Corporate FX rate set at ¥145/USD**
 (FY2023/1Q-3Q: ¥135; 4Q: ¥150)

SG&A: : Increases in operating expenses and R&D expenses
¥485 million
+5.5% : Repair costs for maintenance of distribution centers and other facilities

FY2024: Changes in Sales of Main Products (Forecast)



- **Kit products: New contracts for Premium Kit, which helps resolve hospital management issues**
- Non-woven fabrics: Units sales down slightly due to defection caused by price revision of gown products
- Other non-woven fabrics: Reactionary decline in 2Q following special demand (stockpiling demand) for high-performance masks
- New products: Expect sales of new products, such as REVICE (single-use medical device remanufacturing business)

FY2024 Statements of Income (Forecast)

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Profit attributable to owners of parent	2,804	7.2%	3,310	8.1%	505	118.0%
EPS (¥)	115.57		153.52			

Main factors	Change
R&D expenses	+173
Packing/transportation costs	+72
Personnel expenses	+32
Sample costs	+26
Depreciation	-15

- SG&A: ¥9,380 million (+¥485 million)

Increase in sales-related expenses and R&D expenses to strengthen product competitiveness

- **Total depreciation: ¥5,777 million (-¥830 million)**


- Cost of sales: ¥5,220 million (-¥814 million) (including ¥2.6 billion for new plant Stage 2 operation; FY2023: ¥3.3 billion)
- SG&A: ¥557 million (-¥15 million)

- Capex: ¥5,270 million

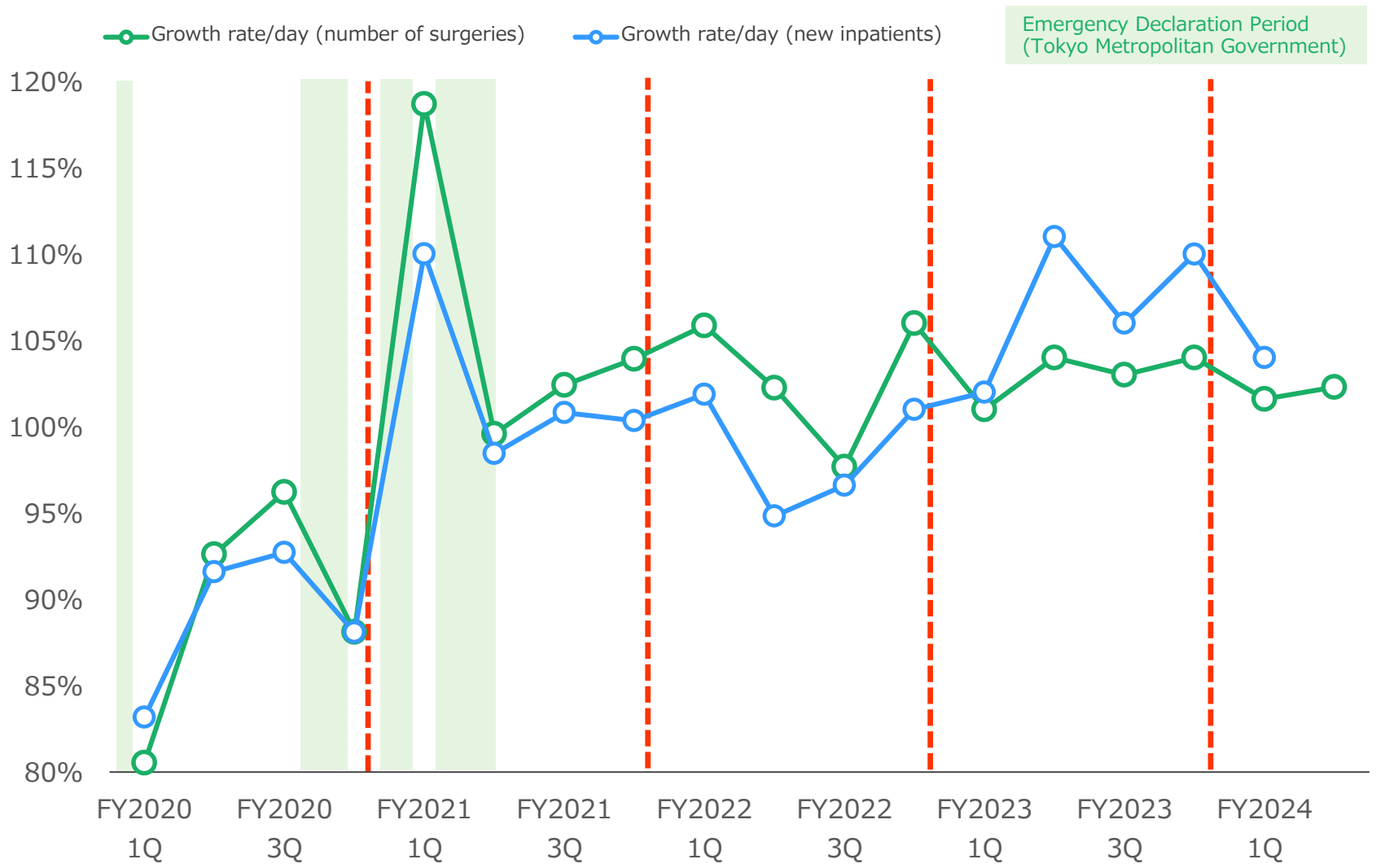
- Annual dividends: ¥80/share (¥20/quarter)

Reference Materials



	Premium Kit	Blister Kit	Tyvek Kit (conventional kit)
Where to produce	<p>New Surgical Kit Plant, Tsukuba (multi)</p> 		<p>Tsukuba, Miho</p> 
Product style	<p>Packed with small multi packages in order to use in an operation</p>		<p>Wrapped with a non-woven fabric and packed with a sterilization pouch</p>
Safety	<p>Benefits of automated production Elimination of human error (major declines in input mistakes and contamination)</p>		<p>As before</p>
Criteria	<p>Kit template materials: 80% or more</p>	<p>Kit template materials: 30% to 80%</p>	<p>Cases where small amounts of materials used Kit template materials: 30% or less</p>

Opera Master: Growth Rate of Hospital Surgeries and New Inpatients/Day



Corporate Information



Corporate name	HOGY MEDICAL CO., LTD.
Head office	7-7, Akasaka 2-chome, Minato-ku, Tokyo 107-8615 Phone: +(81) 3-6229-1300
Founded	April 3, 1961
Paid-in capital	7,123 million yen (as of March 31, 2024)
Number of employees	727 (parent) 1,408 (consolidated) (as of March 31, 2024)
Branch/sales office	23 bases; 26 sales offices
Subsidiary	P.T. HOGY Indonesia HOGY Medical Asia Pacific PTE. LTD.
Sub-subsidiary	P.T. HOGY Medical Sales Indonesia
Listing	Tokyo Stock Exchange, Prime Market
Code number	3593
Number of shares outstanding	22,535,463 (as of July 31, 2024)
Record date of ordinary general meeting of shareholders	March 31



HOGY MEDICAL website

<https://www.hogy.co.jp/english/>

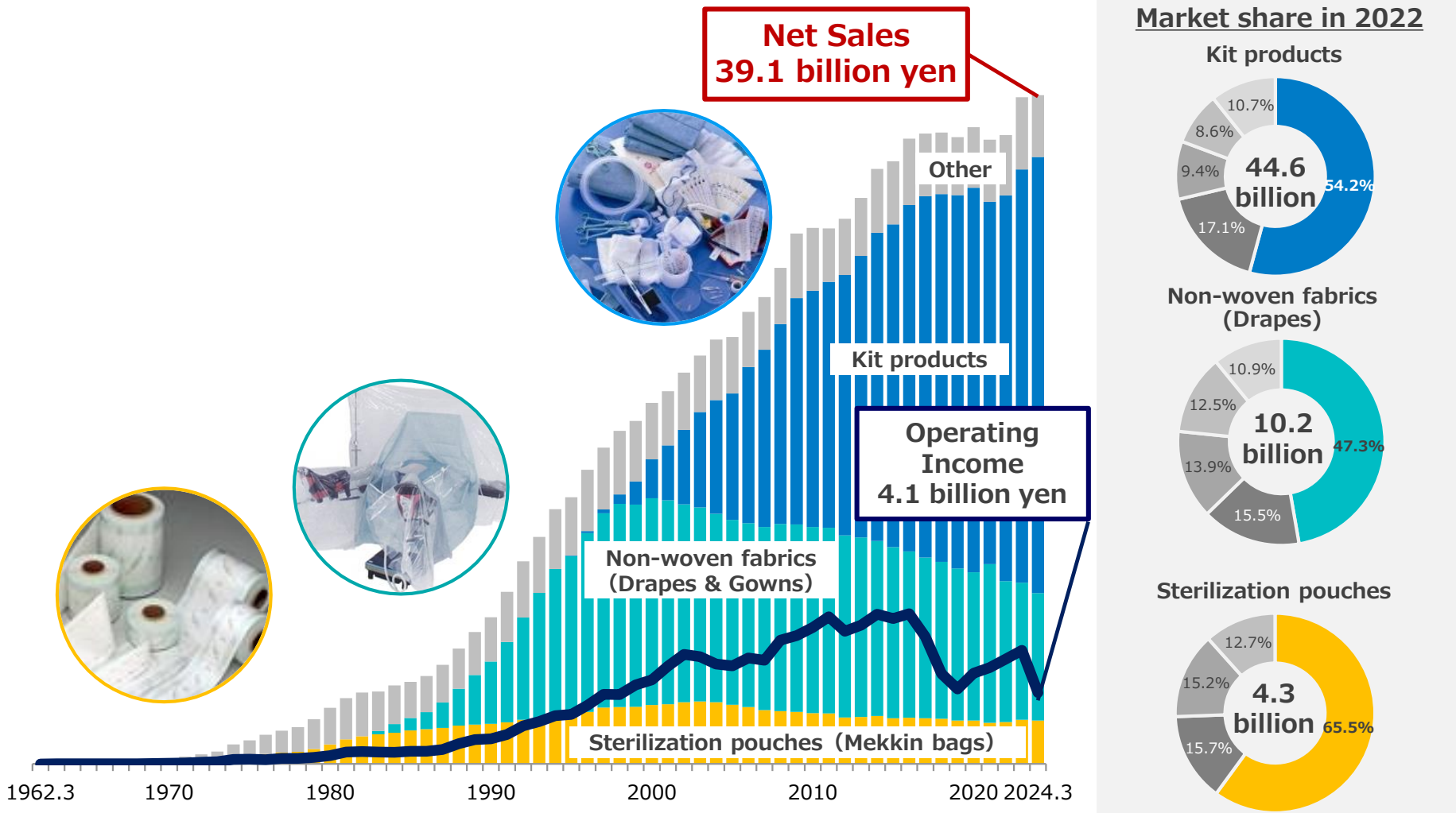
HOGY MEDICAL Search



HOGY MEDICAL History from the Founding

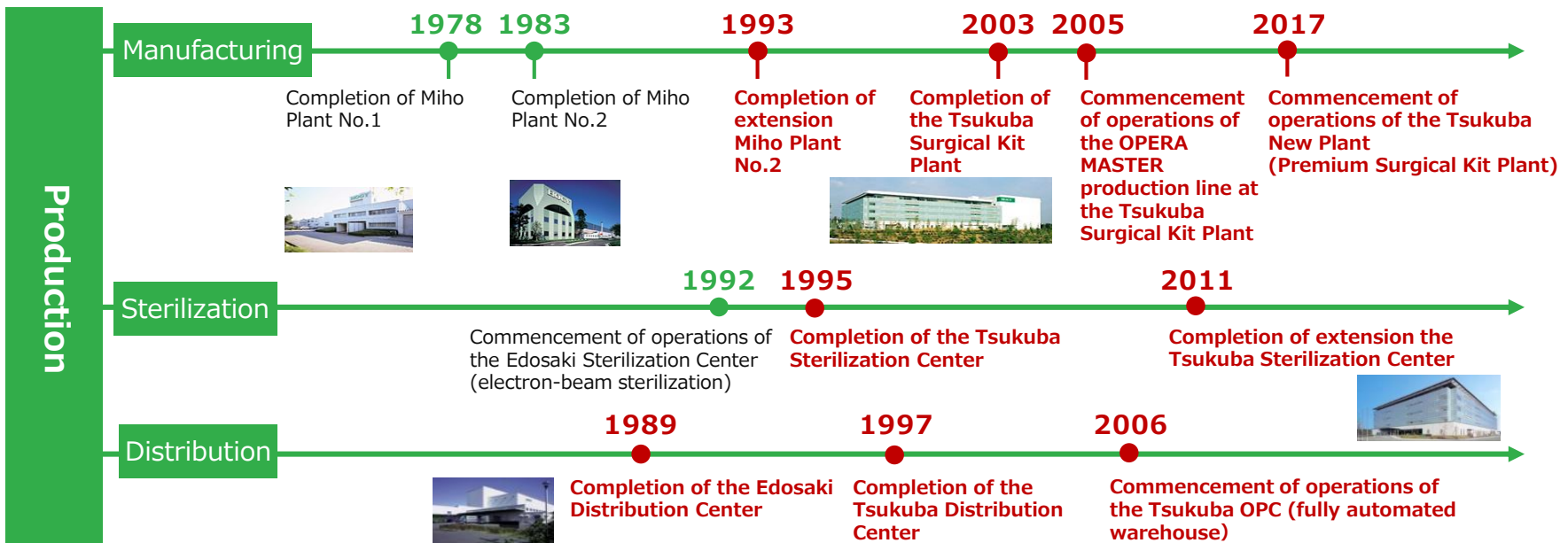
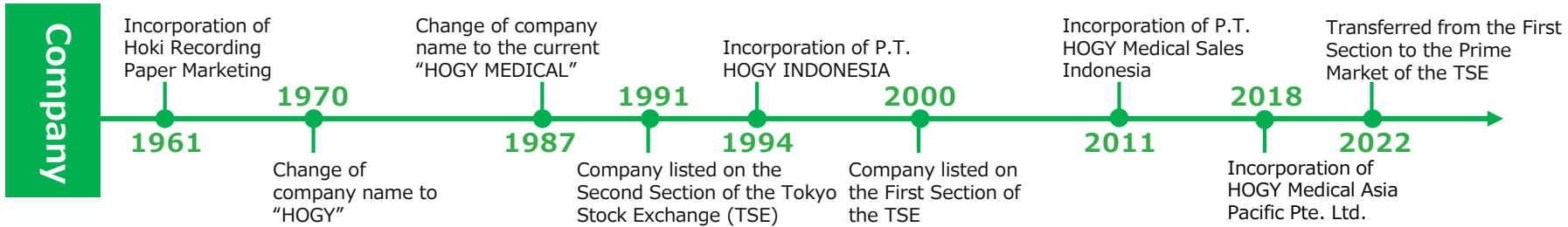
—Market size and Market share of main products

For 64 years since our establishment, we have considered solutions to our customers' issues and contributed to "safety and security" on the medical frontlines. As of now, we have served customers in approximately 9,000 facilities.



*The financial result after 1996 refers consolidated results.

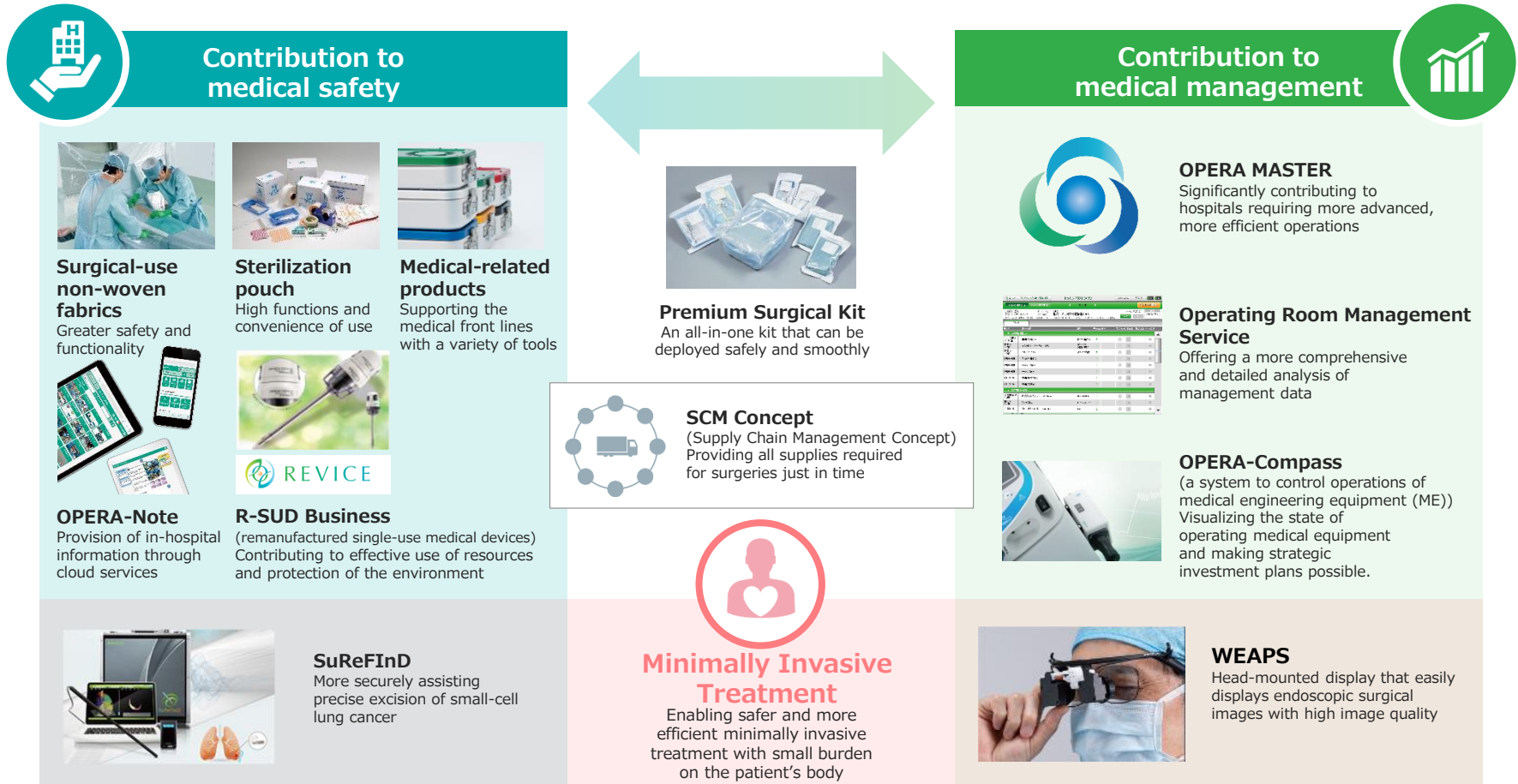
Source: "Medical Hygiene Products Market and Demand Trends by Product 2022-2023," Yano Research Institute Ltd.



Equipment in red is highly automated.

For More Safety and Efficiency HOGY MEDICAL's Business Domains

With a variety of products that meticulously respond to the needs of the medical frontlines and with its stable supply system, HOGY MEDICAL supports the safe and efficient management of operating rooms and ideal hospital management.



医療の現場に、未来に、安全を

HOGY®

